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GLOBAL LINK
DATA SOLUTIONS LTD.

Global Link Data Solutions Ltd. offers a complete suite of integrated data solutions providing wireless communications, data management and portable gas detection services to the oil and gas drilling industry.

This paradigm in simplicity and value enables detailed data to be gathered at remote wellsite locations and sent via high speed secure transmission routes directly to the client's database and desktop computer for easy distribution. Global Link's focus and investment in design, manufacture, customer service and sales of diversified products and services have positioned the Company as a technology leader with proven and developed solutions that meet the needs of its customers. Common shares of Global Link Data Solutions Ltd. trade on the Canadian Venture Exchange under the symbol GLK.

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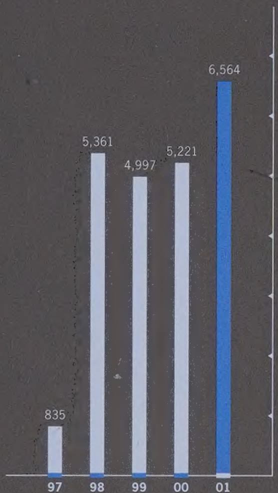
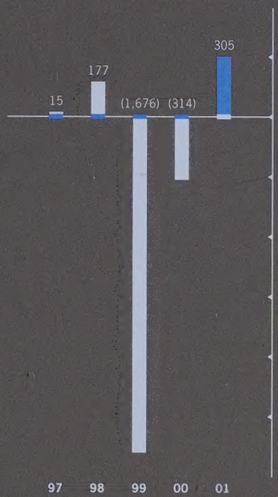
ANNUAL MEETING

The Annual Meeting of Shareholders of Global Link Data Solutions Ltd. will be held on Thursday, February 28, 2002 at 10:00 a.m. (Calgary time) in the Company's offices located at #10, 5920 – 11th Street S.E., Calgary, Alberta. Shareholders who are unable to attend the Meeting are requested to complete and return the Instrument of Proxy to Computershare Trust Company of Canada at their earliest convenience.

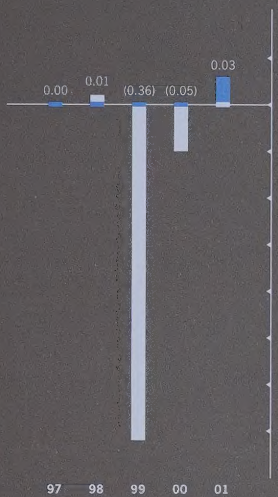
YEAR IN REVIEW



REVENUE ($000s)



NET INCOME ($000s)

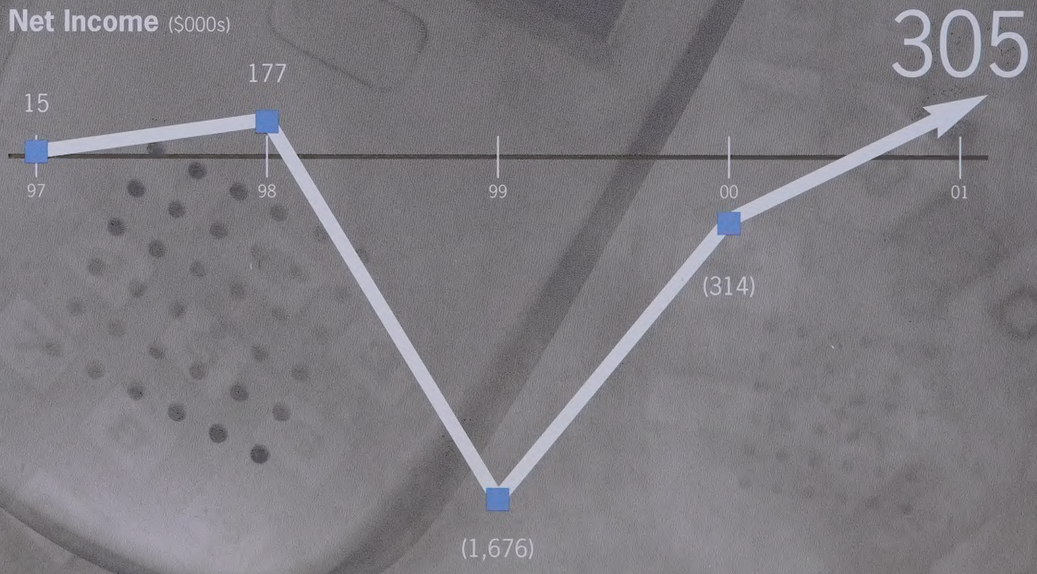


NET INCOME PER SHARE ($)

Years Ended June 30, 2001 & 2000

	2001	2000	Change
(000s, except per share amounts)	$	$	%
Revenue	**6,563,997**	5,220,911	+26
Net income (loss)	**305,001**	(313,616)	+197
Per share	**0.03**	(0.05)	+160
Cash flow from operations	**1,378,002**	844,175	+63
Per share	**0.15**	0.14	+7
EBITDA	**1,548,515**	1,002,350	+54
Per share	**0.16**	0.17	-6
Capital expenditures	**749,035**	255,822	+193
Working capital (deficiency)	**194,097**	(73,688)	+363
Total assets	**6,235,487**	5,653,773	+10
Long-term debt	**959,955**	605,378	+59
Shareholders' equity	**4,390,025**	4,074,965	+8
Shares outstanding (#)	**9,564,292**	9,164,292	+4
Weighted average shares outstanding (#)	**9,470,045**	5,889,305	+61

Fiscal 2001 was a year focused on positioning our Company for the future. In so doing, we significantly increased our earnings, expanded our client base, strengthened our management team, and relocated to new premises to handle our operational growth.



FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2001, Global Link achieved record financial results along with significant year-over-year gains as highlighted below:

- REVENUE INCREASED 26 PERCENT TO $6,563,997 FROM $5,220,911.
- NET INCOME GREW 197 PERCENT TO $305,001 FROM A NET LOSS OF $313,616 A YEAR AGO, OR $0.03 PER SHARE COMPARED TO A LOSS OF $0.05 PER SHARE IN 2000.
- CASH FLOW FROM OPERATIONS ROSE 63 PERCENT FROM $844,175 TO $1,378,002, OR $0.15 PER SHARE VERSUS $0.14 PER SHARE A YEAR AGO.
- WORKING CAPITAL IMPROVED 363 PERCENT TO $194,097 FROM A DEFICIENCY POSITION IN THE PRIOR YEAR TOTALING $73,688.
- SHAREHOLDERS' EQUITY IMPROVED 8 PERCENT FROM $4,074,965 TO $4,390,025.

OPERATIONAL HIGHLIGHTS

During the year, we significantly expanded our customer base by adding a number of smaller clients along with three majors: Anadarko Canada Corporation, ExxonMobil Canada Ltd. and Shell Canada Limited. Securing these major oil and gas industry players was very important for Global Link because of the high standards required by these companies to meet their basic product and service needs. Adding these "big name" players to our client list has given our existing customers increased confidence in our abilities and performance and has attracted the attention of numerous potential clients.

We have strategically positioned the Company to be a leader in wireless communications at the rig site. During fiscal 2001, we bundled Internet with wireless communications, thereby providing solutions that can be configured to meet a variety of clients' needs. We are currently in the process of finalizing our wireless PGD (Portable Gas Detection) system, with industry users of PGD anxiously awaiting our product launch.

In February 2001, we relocated to a new 10,600 square foot facility that has doubled our office area, warehouse space and shop facility. The additional space allows us to display, test and demonstrate our various products, and gives us the staging and manufacturing areas required to meet the growing volumes and demands of our customers.

STRATEGY FOR CONTINUED GROWTH

Fiscal 2001 was a banner year for Global Link both financially and operationally in that we generated greater revenue with fewer personnel, which equates to more efficient operations. Going forward, we will continue to focus on growing gross margin dollars, increasing return on investments, maintaining stringent cost controls and further improving operational efficiencies.

In response to the growing demand for high-tech communications and PGD tools and support at the drilling site, Global Link continues to develop specific goals and strategies to attain the critical mass necessary to be an industry leader with proven technological solutions and services that meet the needs of our customers and thereby being their service provider of choice.

Market Positioning

In November 2000, Mr. Ken McInnis was appointed our Director of Sales and Marketing. Prior to joining Global Link, Ken served as Sales Manager for a large public service company. Given his industry knowledge and marketing expertise, Ken has brought to our Company a new direction and higher level of customer interaction.

Global Link currently has its equipment installed on some 70 percent of Canadian rigs during peak operating periods. During fiscal 2002, we intend to grow our communications and PGD operations by offering value added equipment that will utilize the latest technological improvements, by forming alliances with current satellite access providers to meet the demand for high speed data transmission, and by testing prototype repeaters to satisfy wireless communication requirements in the field. All this, so that we may continue to be the industry's primary supplier of these services.

Management Team

During the year, we reorganized our senior management team in order to position the Company for future growth and opportunities. In addition to the new Director of Sales and Marketing mentioned earlier, Mr. Randy Rainsforth, B.Comm., MBA, CGA came onboard in mid-July as our new Vice-President, Finance and Chief Financial Officer. The addition of Randy has brought the maturity, financial management expertise and sound business acumen we need to help move our Company forward. Prior to joining Global Link, Randy served as Director of Finance and Administration with the City of Leduc. We also filled two additional management positions – operations manager and senior account manager – from within by reassigning personnel to positions that recognize their past contributions to Global Link and more fully utilize their knowledge and skill sets to the Company's best advantage.

Wireless

Due to the industry's continuance to be primarily hard-wired at the rig site, a company like Global Link is required to provide the necessary installation and service of a bundled solution. As a result, customer demand for reliable wireless technology onsite has never been greater in order to eliminate rig up/rig out costs and thereby improve overall operating efficiency. Global Link is leading the response to these industry demands with the following initiatives:

- **Intercoms** – FIRST INTRODUCED IN MARCH 2001, WIRELESS INTERCOM SYSTEMS HAVE BEEN WIDELY ACCEPTED AND ARE NOW USED ON APPROXIMATELY 12 PERCENT OF RIG UPS, PROVIDING A LESS LABOUR-INTENSIVE INSTALLATION. OVER 50 PERCENT OF GLOBAL LINK'S INTERCOM UNITS HAVE BEEN UPGRADED TO WIRELESS, AND BY THE END OF CALENDAR 2001, OUR ENTIRE INVENTORY WILL BE WIRELESS. THIS TECHNOLOGY HAS BECOME A "MUST HAVE" FOR CONTRACTORS WHO ARE BUILDING NEW RIGS AND INCORPORATING THE LATEST TECHNOLOGY ADVANCES.
- **PGD (Portable Gas Detection)** – THE RESEARCH AND DEVELOPMENT PHASE FOR WIRELESS GAS DETECTION WAS COMPLETED IN SEPTEMBER 2001 AND WE ARE CURRENTLY IN THE PROCESS OF ASSEMBLING AND INSTALLING 80 WIRELESS SYSTEMS. WIRELESS PGD, ALONG WITH INFRARED SENSORS WHICH SHOULD BE INSTALLED ON OUR PGD UNITS BY THE END OF FISCAL 2002, HAVE BEEN ENTHUSIASTICALLY RECEIVED BY OUR CUSTOMERS DUE TO THEIR SIGNIFICANTLY REDUCED SERVICE AND MAINTENANCE COSTS. WE BELIEVE THE INTRODUCTION OF PRODUCTS LIKE WIRELESS PGD AND INFRARED SENSORS DEMONSTRATES OUR COMMITMENT TO BRINGING SUPERIOR TECHNOLOGY TO MARKET.

Growing the Critical Mass

In our fiscal 2000 Annual Report's Letter to Shareholders, I stated that over the next several years we intended to considerably grow the critical mass of the Company by way of internal expansion, ongoing equipment purchases and production programs, mergers, acquisitions and strategic alliances. Our activities in fiscal 2001 clearly demonstrate our commitment to this mandate. We purchased $700,000 of new equipment, acquired D.A.M. Services, a communication company based in Estevan, Saskatchewan, and have built strong alliances with telecommunication companies including TELUS Mobility, Infosat, Globalstar and C-Com. Our business plan is unfolding as planned, and although we have already made significant strides, our focus will continue to be on steady, measured growth by way of all identified means.

OUR FUTURE

The future of Global Link has never looked better. Our goal of being a one-stop-shop for our clients' communications and gas detection needs has been successfully reached. Our objective now is to maintain their loyalty and trust through our ongoing commitment to providing quality data solutions. To that end, other third party service providers recognize our unique one-stop-shopping approach to the oil and gas industry and seek us out to develop alliances. We will, however, only pursue partnerships with those companies that operate with the same values and philosophy of prime relationships as our own – that is, a win-win relationship built on a high level of integrity and mutual trust in order to provide our customers with quality, reliable, cost-effective solutions that add value to our current suite of products and services.

In an effort to achieve conformity with our industry peers, the Board of Directors has approved changing Global Link's year-end from June 30 to December 31 commencing December 31, 2001. To facilitate timely, consistent annual meetings in the future, we have moved our next two annual shareholder meetings to February 28, 2002 and May 2003. It is anticipated that annual meetings in the future will be held in May.

I would like to take this opportunity to express my appreciation to the Global Link employees. The growth, strength and reputation of Global Link is due in large part to the calibre of our people and we are grateful for your efforts. In April, we instituted an employee share purchase plan providing an opportunity for staff to share in the growth and success of the Company through share ownership. Employees can contribute up to 2.5 percent of their salary toward the purchase of Global Link stock and the Company will match their contributions dollar for dollar. The plan has been well received with a 95 percent participation rate. It is compensation and incentive programs like the employee share purchase plan that will help us attract and retain the very best people. I would also like to thank the Board of Directors for their valuable guidance and also to our shareholders for your loyalty and continued support.

We are all excited about this past year's accomplishments and the prospects for the future of Global Link, and we look forward to the coming years with great confidence, anticipation and enthusiasm. We have a clear and focused strategy for steady growth, and the team and ability to implement it. Global Link is positioned for the future.

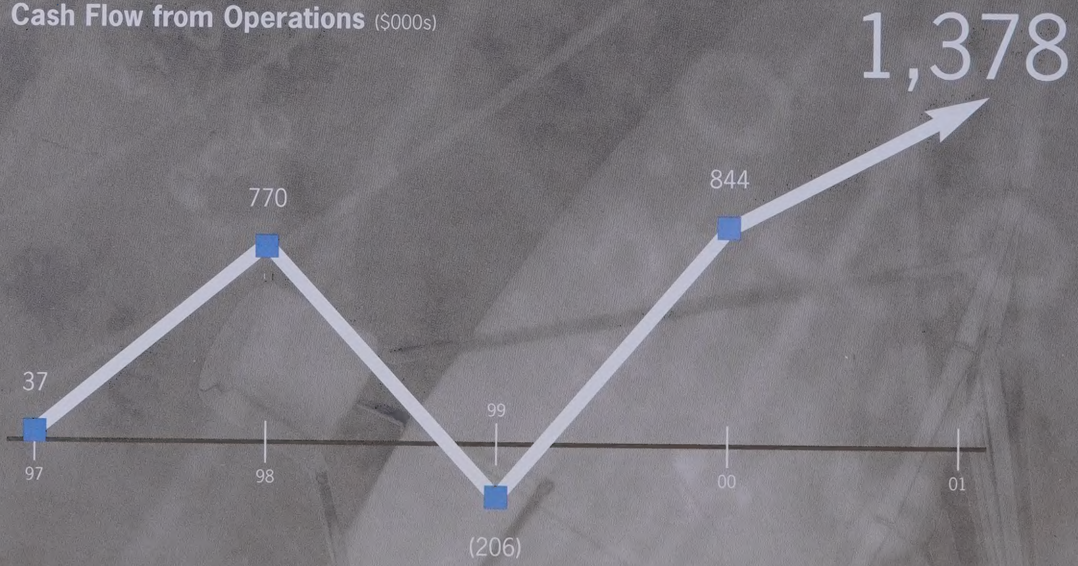
On behalf of the Board of Directors,

Derek M. Begin
President & Chief Executive Officer
October 11, 2001

Strong demand, an aggressive expansion program and exceptional performance enabled Global Link to achieve record results.

MANAGEMENT'S DISCUSSION AND ANALYSIS

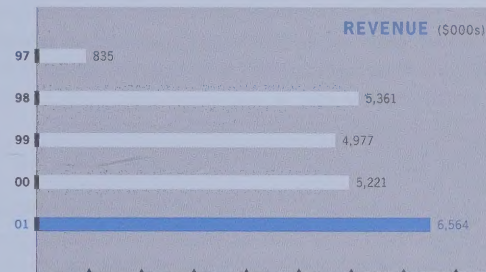
Cash Flow from Operations ($000s)



The following discussion has been prepared by management and is a review of the financial results of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the financial performance for the years ended June 30, 2001 and 2000 and should be read in conjunction with the financial statements and accompanying notes.

REVIEW OF OPERATING RESULTS

During fiscal 2001, improved product prices and increased activity levels continued to strengthen the oil and gas sector, which translated into significant growth and change for Global Link Data Solutions Ltd. The Company continued to pursue internal development initiatives aimed at improving its technology and delivery of services.



Revenue

For the fiscal year ended June 30, 2001, total revenue increased 26 percent to $6,563,997 from $5,220,911 a year ago. Revenue generated from communications (intercom, satellite, radio and cellular) improved 21 percent to $4,371,493 or 67 percent of the Company's total revenue compared to $3,605,247 or 69 percent in 2000. Global Link continues to maintain its status as the largest renter of both cellular and satellite phones to Western Canada's oil and gas industry. During fiscal 2002, we plan to upgrade and expand our fleet of computers to meet the growing demand of using computers as peripherals to various equipment.

In fiscal 2001, portable gas detection contributed $2,028,418 or 31 percent of the Company's total revenue compared to $1,581,171 or 30 percent the prior year. We continue to enhance our systems with the move toward infrared and wireless technology, to which the industry has expressed considerable enthusiasm.

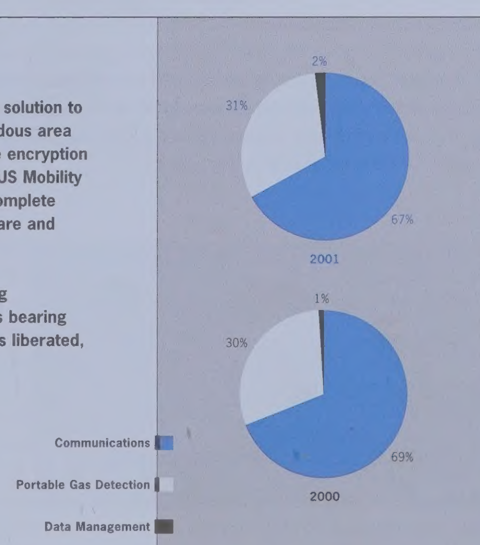
Revenue generated from data management services improved to $154,742 or 2 percent of the Company's total revenue compared to $34,496 or 1 percent a year ago. Growth in the Company's data management activities has not met our expectations, and the internal costs associated with this product have been significant; accordingly, we are currently evaluating the various options for the future of this product.

REVENUE MIX

Global Link offers an all-encompassing communications solution to clients – from providing on-site hardware such as hazardous area phones, switchboards, cellular phones, satellites, secure encryption data and voice transmission, to being a recognized TELUS Mobility and Infosat dealer. In addition, the Company provides complete computer services including integrated hardware, software and communication technology to remote users.

Portable gas detection is an essential tool in determining hydrocarbon shows, multiple pay and elusive oil and gas bearing zones. Global Link provides accurate evaluation of gases liberated, produced and recycled during the drilling process.

The Company provides data management services for real-time data capture, data display and communications via the Internet.



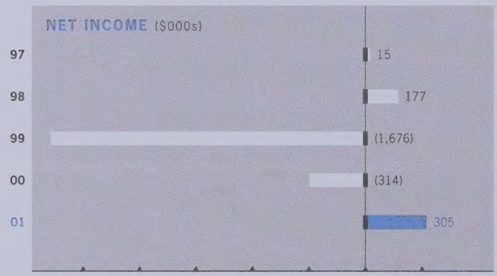
Gross Margin

Gross margin totaled $4,177,152, up almost 14 percent from $3,676,879 the previous year. As a percentage of sales, gross margin decreased from 70 percent in 2000 to 64 percent in 2001, which can be attributed to the increases in overall growth in sales of lower margin items, such as satellites, and increased costs for data management products.

Expenses

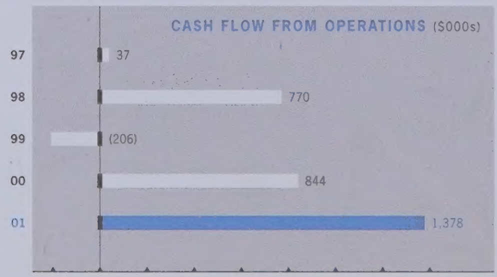
Year-over-year technical support, general, administrative and sales expenses increased marginally from $2,609,985 to $2,662,926. General and administrative costs increased slightly due in part to the Company's relocation during the year to new and larger premises, the full effect of which will not show until the 2002 fiscal year. As a result, however, we now have the space to properly display and service our equipment and efficiently meet growing customer demands. In addition, sales and marketing expenses rose 50 percent in 2001 due to focused and expanded efforts in these areas.

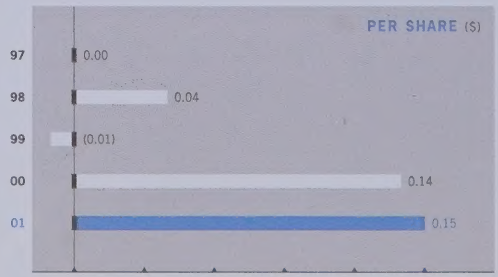
Interest expenses declined from $524,864 to $145,434 in fiscal 2001. This 72 percent decrease is due to converting $3,600,000 of Company debt to equity during the previous fiscal year.



Net Income and Cash Flow

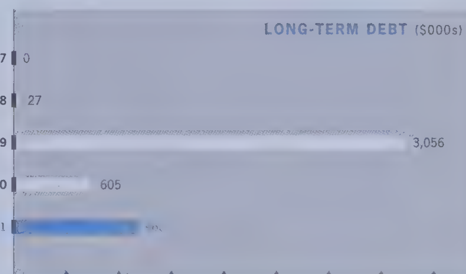
Net income for 2001 totaled $305,001 compared to a net loss of $313,616 the previous year. On a per weighted average share basis, net income rose to $0.03 from $(0.05) in 2000. This significant earnings improvement is a direct result of increased sales volumes of our communications and portable gas detection services, and we expect to see a trend of continued growth in the future.





For the year ended June 30, 2001, cash flow from operations improved over 60 percent to $1,378,002 from $844,175 the previous period. On a per weighted average share basis, cash flow improved from $0.14 to $0.15. The modest 7 percent per share improvement versus the 60 percent funds flow improvement is attributed to the March 30, 2000 conversion of $3,600,000 in debt to shares, which affects the weighted average calculation for 2000.

LIQUIDITY AND CAPITAL RESOURCES



At June 30, 2001, the Company had working capital of $194,097 versus a deficiency position a year ago of $74,688. During 2001, Global Link invested $1,158,925 in capital expenditures that expanded its income-earning base compared to $419,428 in 2000. The Company made capital asset purchases under capital lease agreements totaling $762,000 during the year. Funds generated from our 2001 operations were used primarily to repay capital lease commitments of $256,000 and fixed asset purchases of over $749,000. These items were also funded by the sale of obsolete fixed assets netting in excess of $45,000. The Company generated $32,000 from the sale of shares in an agreement with one of its officers. The net result is an increase in cash resources of $138,180, an improvement over the $202,883 decrease in cash resources recorded the previous year.

During the year, Global Link continued to strengthen its liquidity position, improving its year-end working capital ratio from 0.9:1 to 1.22:1 in 2001.

The estimated amount of cash flow required to fund debt repayments and interest expense in 2002 is approximately $350,000. The Company has minimal capital commitments, is conservatively financed and should have sufficient resources to fund required capital expenditures in 2002.

ACCOUNTING POLICIES

Effective January 2002, the CICA Handbook recommends a change in the amortization of goodwill. Companies will no longer use the method of systematic amortization, instead, they will project the future cash flows for these items (intellectual property for Global Link) and determine whether or not there is an impairment of the value. If there is an impairment, a write-off would occur in that year. The effect to Global Link will be the cessation of systematic amortization totaling $468,000 per year, unless an impairment is forecast.

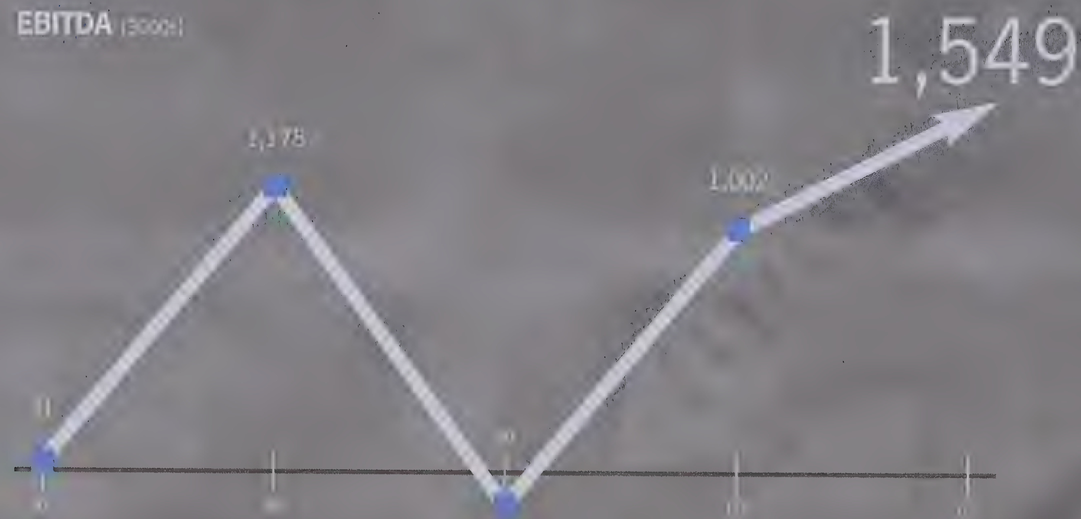
BUSINESS RISKS

As a young and still evolving oilfield service and technological company, Global Link faces several key risks in its business, including possible commodity price downturns, emergence of superior competing technologies, retention of skilled employees, reliance on a relative few key suppliers and customers, and adequacy of capital and/or cash flow to pursue our business plan objectives. This list is not intended to be exhaustive, but merely to communicate to shareholders certain key risks faced by the Company in its business.

We attempt to mitigate these risks through various strategic and operating mechanisms such as ongoing research and investigation of leading edge technologies, growth through diversification into new industry segments, fair and equitable compensation and workplace policies, flexibility in operational decision making, review and discussion of competitors' policies to maintain market advantage, and ongoing interaction with both debt and capital markets. We feel these strategies reduce our business risk to an acceptable level which will allow Global Link to continue to grow and maximize shareholder value.

Global Link's growth has substantially increased the Company's ability to finance future expansion.

FINANCIAL STATEMENTS



MANAGEMENT'S REPORT

To the Shareholders of Global Link Data Solutions Ltd.

The accompanying financial statements of Global Link Data Solutions Ltd. are the responsibility of the management of the Company. The statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) outlined in the notes to the financial statements.

Management maintains appropriate systems of internal controls designed to provide reasonable assurance that all transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Audit Committee of the Board of Directors, which comprises a majority of directors who are not employees of the Company, has reviewed the financial statements with management and PricewaterhouseCoopers LLP. The Board of Directors approved the financial statements on the recommendation of the Audit Committee.

Derek M. Begin
President & Chief Executive Officer

Randy Rainsforth
Vice-President, Finance & Chief Financial Officer

October 11, 2001
Calgary, Alberta

AUDITORS' REPORT

To the Shareholders of Global Link Data Solutions Ltd.

We have audited the balance sheets of Global Link Data Solutions Ltd. as at June 30, 2001 and 2000 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
August 17, 2001
Calgary, Alberta

BALANCE SHEETS

As at June 30, 2001 & 2000

	Note	2001	2000
		$	$
ASSETS			
Current assets			
Accounts receivable		**1,016,772**	811,454
Inventory		**49,785**	83,704
Deposits and prepaids		**13,047**	4,584
		1,079,604	899,742
Deferred development costs	4	–	82,380
Future income taxes	3 & 5	**103,000**	–
Capital assets	6	**2,098,520**	1,249,288
Intellectual property	7	**2,954,363**	3,422,363
		6,235,487	5,653,773
LIABILITIES			
Current liabilities			
Bank indebtedness	8	**228,731**	366,911
Accounts payable and accrued liabilities		**444,290**	482,903
Interest payable		–	71,719
Current portion of obligations under capital leases	9	**212,486**	51,897
		885,507	973,430
Obligations under capital leases	9	**347,870**	2,503
Convertible debentures	10	**612,085**	602,875
SHAREHOLDERS' EQUITY			
Equity portion of convertible debentures	10	**163,831**	163,831
Capital stock	11	**3,933,593**	10,016,019
Retained earnings (deficit)		**292,601**	(6,104,885)
		4,390,025	4,074,965
		6,235,487	5,653,773
Commitments	14		

Approved by the Board of Directors

Derek M. Begin
Director

C. Barrie Clark
Director

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended June 30, 2001 & 2000

	Note	2001	2000
		$	$
Revenue		**6,563,997**	5,220,911
Direct costs		**2,386,845**	1,544,032
		4,177,152	3,676,879
Expenses			
Technical support		**1,271,003**	1,371,475
General and administrative		**945,221**	941,526
Amortization of capital assets		**517,294**	359,382
Amortization of intellectual property		**468,000**	468,000
Sales and marketing		**446,702**	296,984
Loss on disposal of capital assets		**99,117**	19,399
Interest – long-term		**97,858**	472,897
Amortization of deferred development costs		**82,380**	76,800
Interest – short-term		**47,576**	51,967
		3,975,151	4,058,430
Income (loss) before income taxes		**202,001**	(381,551)
Recovery of income taxes	3 & 5		
Current		**–**	(67,935)
Future		**(103,000)**	–
		(103,000)	(67,935)
Net income (loss) for the year		**305,001**	(313,616)
Deficit, beginning of year		**(6,104,885)**	(2,907,831)
Deficit applied to share capital	11	**6,104,885**	–
Interest on equity portion of convertible debentures		**(12,400)**	(75,438)
Excess of incremental consideration over the fair value of the debentures		**–**	(2,808,000)
Retained earnings (deficit), end of year		**292,601**	(6,104,885)
Earnings (loss) per common share	3 & 12		
Basic and diluted		**0.03**	(0.05)

STATEMENTS OF CASH FLOWS

Years ended June 30, 2001 & 2000

	Note	2001	2000
		$	$
Cash provided by (used in):			
Operating activities			
Net income (loss) for the year		**305,001**	(313,616)
Items not affecting cash			
Interest on convertible debentures – accretion of liability portion		**9,210**	234,210
Amortization – deferred development cost		**82,380**	76,800
Amortization – capital assets		**517,294**	359,382
Amortization – intellectual property		**468,000**	468,000
Loss on disposal of capital assets		**99,117**	19,399
Future income tax recovery		**(103,000)**	–
Cash flow from operations		**1,378,002**	844,175
Net changes in non-cash working capital items		**(290,194)**	(302,248)
		1,087,808	541,927
Financing activities			
Repayment of obligations under capital lease		**(256,044)**	(340,461)
Share issue costs		**(9,541)**	(36,194)
Interest on equity portion of convertible debentures		**(12,400)**	(37,719)
Proceeds on issuance of common shares		**32,000**	–
		(245,985)	(414,374)
Investing activities			
Purchase of capital assets		**(749,035)**	(255,822)
Proceeds on sales of capital assets		**45,392**	92,486
		(703,643)	(163,336)
Decrease (increase) in bank indebtedness		**138,180**	(35,783)
Bank indebtedness, beginning of year		**(366,911)**	(331,128)
Bank indebtedness, end of year		**(228,731)**	(366,911)
Supplementary information			
Cash used for:			
Taxes paid		**–**	192,280
Interest paid		**223,793**	140,787
Cash flow from operations per common share	3 & 12		
Basic and diluted		**0.15**	0.14

June 30, 2001 & 2000

1. NATURE OF BUSINESS

The Company is a public company incorporated under the Business Corporations Act (Alberta) on December 23, 1993 and is listed on the Canadian Venture Exchange. Effective March 30, 2000, the Company changed its name to Global Link Data Solutions Ltd. The business of the Company is to provide technologically current gas detection, communications, data gathering and management solutions to the oil and gas industry.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

b) Capital Assets

Capital assets are recorded at cost, net of accumulated amortization and are amortized over their estimated useful lives. Amortization is recorded at the following annual rates:

Computer hardware	30% declining balance
Computer software	50% declining balance
Electronic Drilling Recorder (EDR) equipment	30% declining balance
Logging equipment	30% declining balance
Field equipment	20% declining balance
Office equipment	20% declining balance
Leasehold improvements	20% straight-line

Amortization is recorded at one half of the annual rate in the year of acquisition.

c) Research and Development Costs

Research costs are expensed as incurred. Development costs which meet the Canadian Institute of Chartered Accountants requirements for deferral are capitalized. Amortization of the costs commences with commercial production. In the event the technology is determined not to be commercially viable, all unamortized costs will be charged to income at that time.

d) Intellectual Property

Intellectual property, representing the excess of the purchase price over the fair value of the net assets acquired, plus acquisition costs, is amortized on a straight-line basis over ten years. Management annually reviews the value of the intellectual property using the undiscounted cash flow method. Any impairment in the value of the intellectual property is charged to income.

e) Income Taxes

Income tax expense consists of the income taxes payable for the period and the change during the period in future income tax assets and liabilities.

Future income taxes are recorded at the income tax rates, which are expected to apply when the future tax liability is settled or the future income tax asset is realized. Valuation allowances are established when necessary to reduce future income tax assets to the amounts expected to be realized.

f) Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

g) Stock Based Compensation

The Company's stock based compensation plan is described in note 11. No compensation expense is recognized for this plan when stock options are issued to employees and directors. Any consideration paid by employees and directors on exercise of stock options is credited to share capital.

3. CHANGE IN ACCOUNTING POLICIES

a) Future Income Taxes

In 2001, the Company adopted the new Canadian Institute of Chartered Accountants' standard for accounting for income taxes. The new standard requires the use of the liability method of accounting for the tax effect of temporary differences between the carrying amount and tax bases of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable for the year or a later period. The change in methods has been applied retroactively, however the 2001 and 2000 recovery of income taxes is unchanged (see note 5).

b) Earnings Per Share

At June 30, 2001, the Company adopted the new Canadian Institute of Chartered Accountants' standard for earnings per share. The new standard requires the use of the treasury stock method for calculating the dilutive effect of potential common shares. The adoption of this standard had no effect on the 2001 or 2000 diluted earnings per share (see note 12).

4. DEFERRED DEVELOPMENT COSTS

Deferred development costs relate to the development of the Electronic Tour Book software. Costs include remuneration and consulting expenditures and are capitalized net of investment tax credits. The costs deferred were being amortized on a straight-line basis at 25 percent per annum commencing with commercial production on February 18, 1998. As at June 30, 2001, these costs have been fully amortized (2000 – $223,225).

5. INCOME TAXES

At June 30, 2001, the Company has operating losses for tax purposes of approximately $109,000 (2000 – $599,000) expiring in 2006 (1999 – 2005 and 2006), undeducted tax pools in excess of book values relating to share issuance costs, capital assets and scientific research and experimental development expenditures of approximately $141,000 (2000 – $345,000) and investment tax credits in the amount of $111,000 expiring between 2002 and 2007.

The income tax provision differs from that computed using the statutory rate for the following reasons:

	2001	2000
	$	$
Income (loss) before income taxes	**202,001**	(381,551)
Combined federal and Alberta income tax rates	**43.4%**	44.62%
Expected tax provision (recovery)	**87,668**	(170,248)
Items not deductible for tax purposes	**232,349**	344,154
Reversal of valuation allowance	**(420,617)**	(140,246)
Recovery of income taxes previously paid resulting from an amendment of prior year's tax returns	**–**	(67,935)
Other	**(2,400)**	(33,660)
	(103,000)	(67,935)

6. CAPITAL ASSETS

	2001		
	Cost	Accumulated Amortization	Net
	$	$	$
Computer hardware	**1,281,076**	**640,991**	**640,085**
Computer software	**75,106**	**21,463**	**53,643**
EDR equipment	**679,022**	**157,184**	**521,838**
Logging equipment	**615,300**	**319,284**	**296,016**
Field equipment	**695,221**	**193,849**	**501,372**
Office equipment	**143,999**	**77,141**	**66,858**
Leasehold improvements	**19,177**	**469**	**18,708**
	3,508,901	**1,410,381**	**2,098,520**

During the year, additions of capital assets under capital leases were $762,000. As a result, included in capital assets is a total of assets acquired under capital leases of $1,037,479 (2000 – $275,479) and accumulated depreciation of $348,617 (2000 – $97,963).

	2000		
	Cost	Accumulated Amortization	Net
	$	$	$
Computer hardware	1,132,882	510,363	622,519
Computer software	7,163	1,791	5,372
EDR equipment	170,308	63,249	107,059
Logging equipment	372,257	244,500	127,757
Field equipment	517,092	200,292	316,800
Office equipment	120,632	65,672	54,960
Leasehold improvements	29,642	14,821	14,821
	2,349,976	1,100,688	1,249,288

7. INTELLECTUAL PROPERTY

Intellectual property represents the excess of the purchase price over the fair value of net assets acquired in prior years, plus acquisition costs. As at June 30, 2001, the Company had intellectual property with a cost of $4,695,610 (2000 – $4,695,610) and accumulated amortization of $1,741,247 (2000 – $1,273,247).

8. BANK INDEBTEDNESS

Bank indebtedness consists of the following:

	2001	2000
	$	$
Cheques issued in excess of bank balance	**48,731**	66,911
Operating loan facility of $800,000 (2000 – $600,000) bearing interest at Royal Bank prime plus 1.5% (2000 – prime plus 1.5%) and repayable on demand (interest rate at June 30, 2001 was 7.75%; 2000 – 9%)	**180,000**	300,000
	228,731	366,911

The loan is secured by accounts receivable and a general security agreement.

9. OBLIGATIONS UNDER CAPITAL LEASES

The Company leases various equipment from third parties which have been recorded as capital leases. The Company's commitments on these leases over the next three years are as follows:

	2001	2000
	$	$
2002	**258,533**	57,494
2003	**232,787**	2,698
2004	**147,535**	–
Total minimum lease payments	**638,855**	60,192
Less: Imputed interest ranging from 12% to 14%	**(78,499)**	(5,792)
Balance of obligation	**560,356**	54,400
Less: Current portion	**(212,486)**	(51,897)
	347,870	2,503

10. CONVERTIBLE DEBENTURES

On April 1, 1999, the Company issued $4,250,000 of convertible debentures in exchange for 425,000 issued and outstanding preferred shares. The debentures bear interest at 9 percent, payable quarterly and maturing on December 31, 2002. The debentures are convertible into common shares, at any time, at the option of the debenture holder, at a conversion rate of $1.00 per common share. The Company has the option to fully or partially redeem the debentures at any time for the principal amount plus any accrued and unpaid interest to the date of redemption. As part of the exchange, the Company also issued 850,000 common shares to the debenture holders at a price of $0.25 per common share.

At the time of the exchange, the Company recorded as a credit to shareholders' equity, that portion of the debenture, which represented the value of the conversion feature. As well, the debenture liability was decreased and capital stock was increased by the value of the 850,000 common shares issued to the debenture holders.

In fiscal 2000, the Company reduced the conversion price from $1.00 to $0.22 to induce the debenture holders to convert. The offer expired on March 30, 2000. As a result, $3,600,000 of the face value of $4,250,000 of the convertible debentures were converted resulting in the issuance of 16,363,636 common shares.

The incremental consideration relating to the additional common shares which were issued as a result of the new conversion price of $0.22 per share was charged to the deficit of the Company as this is an additional financing cost of inducing the conversion.

At June 30, 2001, $650,000 of the original $4,250,000 face value of convertible debentures remain outstanding and are convertible into common shares of the Company at a rate of $4.00 per share.

The interest payable on the debentures at June 30, 1999 was settled through the issuance of 434,870 common shares at $0.22 per share. Interest for the period of July 1, 1999 to March 31, 2000 totaled $286,875. Of this amount, $143,438 was settled through the issuance of 651,989 common shares at $0.22 per share while the remainder was paid in cash in quarterly installments commencing March 31, 2000. Interest for the period of July 1, 2000 to June 30, 2001 has been paid in cash by year-end.

11. CAPITAL STOCK

a) Authorized

Unlimited number of voting Class A common shares
Unlimited number of non-voting Class A common shares
Unlimited number of preferred shares, issuable in series
Unlimited number of non-voting preferred shares

11. CAPITAL STOCK (continued)

b) Issued

Common

	Shares	Amount
	#	$
Balance as at June 30, 1999	19,206,548	3,414,100
Issued upon conversion of debentures (note 10)	16,363,636	6,399,004
Shares issued on settlement of interest owing	1,086,859	239,109
Share issue costs	–	(36,194)
Consolidation of common shares (i)	(27,492,751)	–
Balance as at June 30, 2000	9,164,292	10,016,019
Shares issued pursuant to employee loan receivable (ii)	**400,000**	**128,000**
Less: Employee share purchase loan receivable	**–**	**(96,000)**
Deficit applied (iii)	**–**	**(6,104,885)**
Share issue costs	**–**	**(9,541)**
Balance as at June 30, 2001	**9,564,292**	**3,933,593**

(i) On March 30, 2000, the shareholders of the Company approved a 4 for 1 stock consolidation of the common shares.

(ii) On July 13, 2000, the Company provided interest free non-recourse loans to various officers of the Company to acquire 400,000 common shares from treasury at $0.32 a share for a total of $128,000. The loans are unsecured, other than by the actual shares, and repayable on July 13, 2002. During the year $32,000 of the employee loans were repaid.

(iii) On November 30, 2000, the shareholders of the Company authorized the Company to eliminate the deficit of the Company as at June 30, 2000 against the stated capital stock of the Company.

c) Escrow

Under the requirements of the Canadian Venture Exchange, 356,535 common shares relating to a previous acquisition are held in escrow. This escrow agreement expired during the year and an application has been filed with the Canadian Venture Exchange to have these shares released from escrow. However, a response to this application has not yet been received by the Company.

d) Stock Options

The Company grants stock options for the benefit of agents, directors, officers and employees of the Company. Options may be granted to purchase not more than 10 percent of the common shares of the Company at the discretion of the Board of Directors. A stock option can be granted at any time at a discount to the current market price as listed on the Canadian Venture Exchange within the guidelines for such discount limits as set forth by the Canadian Venture Exchange.

A summary of the status of the Company's stock option plan as at June 30, 2001 and 2000 and changes during the years then ended is presented below:

11. CAPITAL STOCK (continued)

	2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	#	$	#	$
Outstanding – Beginning of year	**208,125**	**1.11**	1,211,250	0.61
Consolidation (1:4)	–	–	(908,438)	1.83
Granted	**620,000**	**0.34**	136,250	0.76
Exercised	–	–	–	–
Forfeited	**(115,625)**	**(1.13)**	(230,937)	(1.59)
Outstanding – End of year	**712,500**	**0.44**	208,125	1.11
Options exercisable (vested) at year-end	**201,250**	**0.67**	68,750	1.82

The following table summarizes information about stock options outstanding at June 30, 2001:

	Options Outstanding		Options Exercisable
Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life	Exercisable
	#	Years	#
$0.25	200,000	2.7	60,000
$0.38	370,000	4.0	–
$0.52	6,250	3.5	6,250
$0.64	7,500	2.5	7,500
$0.80	87,500	3.0	87,500
$1.00	25,000	0.4	25,000
$1.04	12,500	2.9	12,500
$1.12	3,750	0.9	2,500
	712,500	3.3	201,250

12. PER SHARE AMOUNTS

Earnings (loss) and cash flow per common share have been calculated using the weighted average number of common shares outstanding of 9,470,045 (2000 – 5,889,305 after giving effect to the stock consolidation (1:4)).

13. SEGMENTED INFORMATION

The Company operates substantially in one business segment, providing communications technology solutions and service to the oil and gas industry within western Canada.

14. COMMITMENTS

The Company is obligated under various agreements to make the following minimum payments over the next five years:

	$
2002	168,224
2003	89,837
2004	75,248
2005	72,128
2006	6,010
	411,447

15. FINANCIAL INSTRUMENTS

The Company's financial instruments that are included in the balance sheet are comprised of cheques issued in excess of bank balance, bank indebtedness, accounts receivable, accounts payable and accrued liabilities, obligations under capital leases and convertible debentures.

a) Interest Rate Risk

The increase or decrease in net earnings as a result of each one-percent change in interest rates on floating rate debt outstanding at June 30, 2001 is not significant.

b) Credit Risk

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal credit risks.

c) Fair Values

The fair values of the Company's financial instruments do not differ significantly from their carrying values.

16. SUBSEQUENT EVENTS

On August 1, 2001, the Company purchased 617884 Saskatchewan Ltd. and its operating division D.A.M. Oilfield Services. The purchase price was $325,000 settled by way of $275,000 cash and $50,000 of common shares issued from the treasury of the Company. The acquired company operates in a similar industry to that of the Company.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

HISTORICAL REVIEW

Years Ended June 30,	2001	2000	1999[1]	1998[1]	1997[1]	1996[1]
(000s, except per share amounts)	$	$	$	$	$	$
Operating Results						
Revenue	**6,564**	5,221	4,997	5,361	835	781
Net income (loss)	**305**	(314)	(1,676)	177	15	(669)
Per share	**0.03**	(0.05)	(0.36)	0.01	0.00	(0.04)
Cash flow from operations	**1,378**	844	(206)	770	37	(77)
Per share	**0.15**	0.14	(0.01)	0.04	0.00	(0.00)
EBITDA	**1,549**	1,002	(139)	1,178	31	(87)
Per share	**0.16**	0.17	(0.01)	0.07	0.00	(0.01)
Capital expenditures	**749**	256	30	557	–	–
Financial Position						
Current assets	**1,080**	900	849	2,062	426	317
Total assets	**6,235**	5,654	5,996	7,992	981	627
Working capital (deficiency)	**194**	(74)	(513)	369	240	214
Long-term debt	**960**	605	3,056	27	–	–
Shareholders' equity	**4,390**	4,075	1,577	2,011	795	525
Return on shareholders' equity (%)	**7**	(8)	(107)	9	2	(127)
Common Share Data						
Common shares outstanding (#)						
At June 30	**9,564**	9,164	4,802	4,564	4,026	4,004
Weighted average	**9,470**	5,889	4,629	4,301	3,924	4,004
Share trading						
High ($)	**0.55**	0.80	0.20	0.53	0.31	0.05
Low ($)	**0.20**	0.04	0.04	0.18	0.02	0.01
Close ($)	**0.54**	0.36	0.04	0.20	0.21	0.03
Volume (#)	**802**	6,458	441	2,010	2,618	397

(1) Years 1996 through 1999 have been restated to reflect a 1:4 share consolidation which occurred on March 30, 2000.

CORPORATE INFORMATION

DIRECTORS

Derek M. Begin (2,3)
President & Chief Executive Officer
Global Link Data Solutions Ltd.

C. Barrie Clark (1,3)
President
Wilbar Resources Ltd.

Larry Nachshen (1,2)
President
Petrovest Management VI Inc.

Garry A. Smith (1,2,3)
President
Seaton Energy Group

(1) Audit Committee Member
(2) Compensation Committee Member
(3) Corporate Governance Committee Member

OFFICERS AND SENIOR MANAGEMENT

Derek M. Begin
President & Chief Executive Officer

Randy Rainsforth
Vice-President, Finance & Chief Financial Officer

Ken McInnis
Director, Sales & Marketing

Kevin Gaal
Operations Manager

Terry Phillips
Sales Manager

Tim Hoar
Corporate Secretary

CORPORATE HEAD OFFICE

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Calgary, Alberta

BANKER

Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL

ProVenture Law
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

Computershare Trust Company of Canada
Suite 600
530 Eighth Avenue S.W.
Calgary, Alberta T2P 3S8
Attn: Stock Transfer Department
Telephone: (403) 267-6800

Other inquiries may be addressed to:

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STOCK TRADING

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